Ontario Food Terminal Board
165 the Queensway
Toronto, Ontario
M8Y 1H8
Phone: (416) 259-5479 Fax: (416) 259-4303
Email: info@oftb.com Website: www.oftb.com

61st Annual Report of the Ontario Food Terminal Board For the Fiscal Year Ending March 31, 2015

The members of the Ontario Food Terminal Board for the 2014/15 fiscal year were: Jamie Reaume, was appointed Chair on August 15, 2012 to August 14, 2015; Alison Robertson, was first appointed as a member on October 22, 2014 and then appointed as Chair on January 15, 2016 to January 14, 2019. Victor Debono, was first appointed as a member on January 3, 2003 and then appointed as Vice-Chair on May 4, 2005 to April 28, 2017. He also served as Interim Chair from April 29, 2011 to August 14, 2012; Mark Pearlman was first appointed as a member on November 15, 2006 and reappointed on January 21, 2014 to January 21, 2017; William Cudmore was appointed with a term of November 3, 2010 to November 1, 2013 and reappointed to November 2, 2016; Paul Tiveron was appointed with a term of November 3, 2010 to November 1, 2013 and reappointed to November 2, 2016. Paola Guarnieri was appointed as a member of the Board with a term of January 5, 2015 to January 4, 2018.

Throughout the year, the Board has been working diligently to continuously support Ontario's important agricultural industry and maintain the Terminal's vital contribution that the Ontario Food Terminal provides to Ontario's economy. The Board has implemented planned renovations to improve the Terminal's efficiency and effectiveness in distributing fresh fruits and vegetables throughout Ontario. The Terminal provides Ontario Farmers and produce distributors a wholesale channel where they can distribute and market their fresh fruits and vegetables to the thousands of businesses in the food and horticultural industries.

The Board had a net income of $1,239,676 in the 2014/15 fiscal year compared to a net income of $1,729,099 in 2013/14 fiscal year. The main reason for the decrease in net income was as a result of lower revenues from cold storage and toll fees due to a minor decreased activity at the Terminal. The Board also experienced higher expenses of $419,671 in the 2014/15 fiscal year compared to the 2013/14 fiscal year. The Board continued to have another successful year and has met and slightly exceeded its overall financial revenue targets by

$43,900 along with decreased operating expenses of $2,512 when compared to the Board's annual budget. Capital expenditures for the year totaled $8,453,763.

The volume of fruit and produce distributed through the Terminal for the 2014/15 fiscal year was approximately 996,780 tons (2 Billion Pounds), which was a very slight decrease of 0.002% from the 2013/14 fiscal year. The share of Ontario grown produce sold at the Terminal accounts for approximately 35% to 40% of the total. The Board is continually promoting the entire facility, including the farmers' market, through its website, social media, trade shows, Foodland Ontario, and tours. As a result, the Board has met its target of getting more buyers to make purchases in the farmers' market.

The Terminal continues to be the main source of fruit and produce for the independent grocery trade in Ontario. The Terminal is a competitive wholesale market which allows more than 5,000 buyers to purchase high quality produce from 21 warehouse and 400 Ontario farmer tenants. There are approximately 400 different varieties of produce sold at the Terminal with approximately 150 of these grown locally.

I would like to thank both my fellow directors on the Board, the Terminal tenants, the Terminal employees, the suppliers of goods and services to the Terminal and the many buyers for helping make the Board's 2014/15 fiscal year a success.

Ontario Food Terminal Board

Alison Robertson
Chair

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Ontario Food Terminal Board

Financial Statements
March 31, 2015

Ontario Food Terminal Board

Financial Statements
March 31, 2015

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Food Terminal Board
and to the Minister of Agriculture, Food and Rural Affairs
and to the Minister of Finance

I have audited the accompanying financial statements of the Ontario Food Terminal Board, which comprise the statement of financial position as at March 31, 2015, and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Food Terminal Board as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 2, 2016

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Ontario Food Terminal Board

Statement of Financial Position

As at March 31, 2015

		2014 $
Assets		
Current assets		
Cash	887,592	2,335,055
Short-term investments (note 3)	8,062,329	5,000,000
Accounts receivable	782,413	974,259
Prepaid expenses and supplies	81,035	83,039
	9,813,369	8,392,353
Long-term investments (note 3)	-	3,000,000
Capital assets (note 4)	30,093,870	22,867,503
	39,907,239	34,259,856
Liabilities		
Current liabilities		
Demand loans (note 5)	13,504,433	8,246,083
Accounts payable and accrued liabilities (note 10)	1,714,646	2,374,172
Deferred revenue	724,344	914,455
	15,943,423	11,534,710
Deferred capital contributions (note 6)	482,093	483,099
	16,425,516	12,017,809
Net Assets		
Net assets invested in capital assets	16,107,344	14,138,321
Unrestricted net assets	7,374,379	8,103,726
	23,481,723	22,242,047
	39,907,239	34,259,856

Commitments (note 8)

On Behalf of the Board of Directors

_____ Director _____ Secretary/Treasurer

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Statement of Revenue and Expenditures

For the year ended March 31, 2015

	2015 $	2014 $
Revenue		
Rent	7,988,726	7,905,559
Cold storage	2,291,714	2,421,213
Toll fees	714,188	720,928
Buyer access tolls	422,030	431,311
Other income	189,619	188,018
	11,606,277	11,667,029
Expenditures		
Salaries and benefits (note 7)	2,978,589	2,980,127
Electric power	1,811,604	1,950,366
Waste removal	1,438,867	1,322,799
Amortization	1,219,954	1,205,099
Realty and business taxes	829,496	850,804
Repairs and maintenance	510,258	450,440
Interest	351,989	157,107
Insurance	323,292	308,628
Fuel	167,597	118,863
Operating supplies and expense	154,285	174,499
Office	90,022	105,678
Miscellaneous contract services	89,798	91,860
Legal services	92,100	56,315
Rent - hydro land	55,787	51,929
Board members' fees and expenses	43,551	30,216
Water	40,328	59,033
Miscellaneous	169,084	33,167
	10,366,601	9,946,930
Excess of revenue over expenditures for the year	1,239,676	1,720,099

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Statement of Changes in Net Assets

For the year ended March 31, 2015

	2015		
	Invested in capital assets $	Unrestricted $	Total $
Net assets - Beginning of year	14,138,321	8,103,726	22,242,047
Excess of revenue over expenditures for the year	(1,219,954)	2,459,630	1,239,676
Invested in capital assets	8,453,763	(8,453,763)	-
Disposal of capital assets	(7,442)	7,442	-
Interfund transfer	1,006	(1,006)	-
Additional borrowings on demand loans invested in capital assets	(5,621,242)	5,621,242	-
Repayment of demand loans invested in capital assets	362,892	(362,892)	-
Net assets - End of year	16,107,344	7,374,379	23,481,723

	2014		
	Invested in capital assets $	Unrestricted $	Total $
Net assets - Beginning of year	13,515,332	7,006,616	20,521,948
Excess of revenue over expenditures for the year	(1,205,099)	2,925,198	1,720,099
Invested in capital assets	5,675,326	(5,675,326)	-
Interfund transfer	(38,013)	38,013	-
Additional borrowings on demand loans invested in capital assets	(4,103,349)	4,103,349	-
Repayment of demand loans invested in capital assets	294,124	(294,124)	-
Net assets - End of year	14,138,321	8,103,726	22,242,047

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Statement of Cash Flows

For the year ended March 31, 2015

	2015 $	2014 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	1,239,676	1,720,099
Adjustments to reconcile excess of revenue over expenditures to cash provided by operating activities		
Amortization of capital assets	1,219,954	1,205,099
Loss (gain) on sale of capital assets	2,342	(3,000)
Amortization of deferred capital contributions related to capital assets	(1,006)	-
Changes in non-cash working capital balances		
Accounts receivable	191,846	(308,350)
Prepaid expenses and supplies	2,004	(3,462)
Accounts payable and accrued liabilities	(659,526)	1,504,039
Deferred revenue	(190,111)	206,670
	1,805,179	4,321,095
Investing activities		
Purchase of short-term and long-term investments	(8,062,329)	(8,000,000)
Proceeds from sale of short-term investments	8,000,000	6,825,372
	(62,329)	(1,174,628)
Capital activities		
Purchase of capital assets	(8,453,763)	(5,675,326)
Proceeds from sale of capital assets	5,100	3,000
	(8,448,663)	(5,672,326)
Financing activities		
Additional borrowings on demand loans	5,621,242	4,103,349
Repayment of demand loans	(362,892)	(294,124)
	5,258,350	3,809,225
Increase (decrease) in cash during the year	(1,447,463)	1,283,366
Cash - Beginning of year	2,335,055	1,051,689
Cash - End of year	887,592	2,335,055

The accompanying notes are an integral part of these financial statements.

1 Nature of operations

The Ontario Food Terminal Board (the Board), a government enterprise of the Province of Ontario, was incorporated without share capital pursuant to the Ontario Food Terminal Act (the Act), R.S.O. 1990, c O.15 and Ontario Regulations 871, 872 and 65/09 made under the Act. The objects of the Board include the operation of a wholesale fruit and produce market and the acquisition and operation of facilities for the transportation and handling of fruit and produce. To meet these objectives, the Board leases land and buildings to wholesalers and growers. The Board is a not-for-profit Board Governed Provincial Agency and is exempt from income taxes.

2 Summary of significant accounting policies

Basis of accounting

The financial statements of the Board are the representations of management prepared in accordance with Canadian public sector accounting standards (PSAS) for government not-for-profit organizations.

Fund accounting

These financial statements include the following funds:

- unrestricted - includes the cumulative net assets of operating revenue over expenditures; and
- invested in capital assets - represents the net investment in the Board's capital assets, as described in note 4. Amounts required for the purchase of capital assets are transferred from the unrestricted fund to the invested in capital assets fund.

Revenue recognition

Revenue arising from rent, cold storage, toll fees and buyer access tolls is recognized as revenue as services are provided and collectibility is reasonably assured.

Deferred revenue results from the prepayment of rent, stall rentals, parking rentals, buyers' access cards and office rentals and are recognized as revenue over the rental term.

Deferred capital contributions are externally restricted and are deferred and amortized into revenue in accordance with the amortization policy applied to the related capital asset recorded.

Other income consists of interest income and other income and is recognized as revenue when earned.

Expenditures

Expenditures are reported net of recoverable sales tax.

Short-term and long-term investments

Investments are guaranteed investment certificates (GICs) and are carried at amortized cost in the financial statements. Investment income is included in the statement of revenue and expenditures.

The carrying amount of the GICs approximates the market value at year-end.

Capital assets

Capital assets are recorded at cost. Amortization of capital assets is provided on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 to 30 years
Buildings	10 to 40 years
Equipment	5 to 20 years
Parking deck and retaining wall	4 to 40 years

Amortization of construction-in-progress will commence when the construction is substantially complete and the asset is put into use.

Impairment of long-lived assets

The Board reviews the carrying amount, amortization and useful lives of its capital assets regularly. If the capital asset no longer has any long-term service potential to the Board, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of revenue and expenditures.

Financial instruments

The Board initially measures its financial assets and financial liabilities at fair value. The Board subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short-term and long-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and demand loans.

If there is an indicator of impairment, the Board determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Board expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of revenue and expenditures.

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3 Investments

	2015 $	2014 $
Bank of Montreal, 1.30% (2014 - 1.75%) GIC, due on October 23, 2015	5,062,329	5,000,000
Bank of Montreal, 1.05% (2014 - 1.80%) GIC, due on April 30, 2015	3,000,000	3,000,000
	8,062,329	8,000,000
Less: Classified as short-term	8,062,329	5,000,000
Classified as long-term	-	3,000,000

4 Capital assets

	2015		
	Cost $	Accumulated amortization $	Net $
Land	275,604	-	275,604
Land improvements	2,207,759	1,952,001	255,758
Buildings	37,965,439	14,142,647	23,822,792
Equipment	6,100,612	3,271,834	2,828,778
Parking deck and retaining wall	6,903,576	4,436,104	2,467,472
Construction-in-progress	443,466	-	443,466
	53,896,456	23,802,586	30,093,870

	2014		
	Cost $	Accumulated amortization $	Net $
Land	275,604	-	275,604
Land improvements	2,207,759	1,887,497	320,262
Buildings	26,733,727	13,417,035	13,316,692
Equipment	3,379,293	3,135,378	243,915
Parking deck and retaining wall	6,903,576	4,210,542	2,693,034
Construction-in-progress	6,017,996	-	6,017,996
	45,517,955	22,650,452	22,867,503

During the year, $13,666,734 (2014 - $303,355) was transferred from construction-in-progress to buildings in the amount of $11,231,712 (2014 - $303,455) and equipment in the amount of $2,435,022 (2014 - $nil).

5 Demand loans

Demand loans comprise the following:

	2015 $	2014 $
Demand loan, non-revolving with a maximum borrowing amount of $3,924,920 (2014 - $4,290,589), bearing interest at prime plus 1/4%, monthly repayments of $24,378 principal plus interest; this loan is used to primarily finance capital expenditures	3,851,786	4,144,322
Demand loan, non-revolving with a maximum borrowing amount of $9,800,000 (2014 - $8,763,982), bearing interest at prime plus 1/4%, monthly repayments of $40,833 (2014 - $36,517) principal plus interest commencing no later than September 2014, interest only monthly payments during construction of capital assets; this loan is used to primarily finance capital expenditures	7,921,524	3,367,982
Demand loan, non-revolving with a maximum borrowing amount of $2,000,000, bearing interest at prime plus 1/4%, monthly repayments of $8,333 principal plus interest; this loan is used to primarily finance capital expenditures	1,731,123	733,779
	13,504,433	8,246,083

The Board has a revolving line of credit to a maximum availability of $1,000,000, which bears interest at the bank's prime rate. As at March 31, 2015, the Board had no borrowings outstanding under this facility (2014 - $nil).

The Board has a non-revolving fixed rate term loan to a maximum availability of $1,200,000, which bears interest at the bank's prime rate plus 1/4%. As at March 31, 2015, the Board had no borrowings outstanding under this facility.

All of the above loans are supported by a letter of undertaking not to sell, further mortgage or otherwise encumber the property located at 165 The Queensway.

As at March 31, 2015, there were externally imposed debt covenants with respect to the Board's external bank loans. All covenants were complied with as at March 31, 2015.

6 Deferred capital contributions

In 2011, the Board received a one-time capital contribution of $500,000 from the Ontario Ministry of Agriculture, Food and Rural Affairs. The related asset was substantially complete and ready for use in fiscal 2015, at which point in time the Board commenced amortizing the capital contribution into revenue.

	2015 $	2014 $
Balance - Beginning of year	483,099	483,099
Less: Amortization to revenue during the year	1,006	-
Balance - End of year	482,093	483,099

7 Self-directed Registered Retirement Savings Plan (RRSP)

The Board offers its full-time employees a self-directed RRSP, whereby employees make a minimum contribution of 5% of their pay. The Board contributes a matching amount up to a maximum of 6% for employees with over 15 years of service and 5% for all other eligible employees. The expense for the year under this RRSP was $85,822 (2014 - $91,056) and is included in salaries and benefits.

8 Commitments

The Board leases land for vehicle parking space under an operating lease. The future annual minimum lease payments are as follows:

	$
2016	68,209
2017	68,636
2018	68,478
2019	71,315
2020	79,827
Thereafter	299,354
	655,819

9 Financial instrument risk

The Board holds instruments that are subject to credit risk, liquidity risk and interest rate risk.

Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Board. The cost of the assets as presented in the statement of financial position represents the maximum credit risk exposure as at the date of the financial statements. The Board places its cash in interest bearing accounts and instruments insured by a Canadian chartered bank, or in highly liquid investments that are readily convertible into known amounts of cash.

The Board, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by the fact management believes the Board has thorough and rigorous credit approval procedures.

As at March 31, 2015, the following accounts receivable were past due but not impaired:

	30 days $	60 days $	Over 90 days $
Accounts receivable	160,060	146,032	5,782

Management believes the Board's credit risk is low.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities.

	Up to 6 months $	More than 6 months up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	1,509,646	205,000	-	-	1,714,646
Demand loans	337,608	675,216	2,700,864	9,790,745	13,504,433
	1,847,254	880,216	2,700,864	9,790,745	15,219,079

All of the Board's investments are considered to be readily realizable, as they can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

Interest rate risk

Interest rate risk arises from fluctuations in interest rates and the degree of volatility of those rates. The Board has demand loans that bear interest based on the prime interest rate and therefore, the Board is exposed to interest rate cash flow risk as the required cash flows to service the obligations will fluctuate as a result of changes in market rates.

10 Contingencies

From time to time, lawsuits and claims have been brought against the Board, the outcome and ultimate disposition of which are not determinable at this time, and accordingly no provision has been made in these financial statements for any liability that may result. In addition, the Board believes the resulting outcome of current lawsuits and claims would not have a material effect on the financial position or the statement of revenue and expenditures of the Board. Subsequent to year-end, certain claims have been settled for $205,000 and have been included in accounts payable and accrued liabilities.

11 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.